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✓ JUL 20 2004 76-1070  
7/16 TOWNSHIP OF ELK  
Sanilac County, Michigan  
GENERAL PURPOSE FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

Year Ended March 31, 2004

## AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

<b>Local Government Type</b> <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		<b>Local Government Name</b> Township of Elk	<b>County</b> Sanilac
<b>Audit Date</b> March 31, 2004	<b>Opinion Date</b> June 30, 2004	<b>Date Accountant Report Submitted to State:</b> June 30, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |  |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).   |

### We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

<b>Certified Public Accountant (Firm Name)</b> Campbell, Kusterer & Co., P.C.			
<b>Street Address</b> 512 N. Lincoln, Suite 100, P.O. Box 686		<b>City</b> Bay City	<b>State</b> MI
<b>Accountant Signature</b> Campbell, Kusterer & Co., P.C.		<b>Zip</b> 48707	

TOWNSHIP OF ELK  
Sanilac County, Michigan

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## INDEPENDENT AUDITOR'S REPORT

June 30, 2004

To the Township Board  
Township of Elk  
Sanilac County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Elk, Sanilac County, Michigan, as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Elk's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Township has not maintained a record of its general fixed assets, and accordingly, a statement of general fixed assets, required by generally accepted accounting principles, is not included in the general purpose financial statements.

In our opinion, except that the omission of the financial statement described above results in an incomplete presentation, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Elk, Sanilac County, Michigan, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Township of Elk, Sanilac County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF ELK  
Sanilac County, Michigan

COMBINED BALANCE SHEET – ALL FUND TYPES

March 31, 2004

EXHIBIT A

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Trust and Agency</u>	<u>(Memorandum Only)</u>
<u>Assets</u>				
Cash in bank	178 976 37	16 464 67	78 427 66	273 868 70
Investments	-	-	40 290 63	40 290 63
Petty cash	-	60 00	-	60 00
Taxes receivable	2 961 53	4 006 96	-	6 968 49
Due from other funds	<u>34 387 32</u>	<u>44 040 34</u>	<u>-</u>	<u>78 427 66</u>
Total Assets	<u>216 325 22</u>	<u>64 571 97</u>	<u>118 718 29</u>	<u>399 615 48</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Deposits payable	-	500 00	-	500 00
Due to other funds	<u>-</u>	<u>-</u>	<u>78 427 66</u>	<u>78 427 66</u>
Total liabilities	<u>-</u>	<u>500 00</u>	<u>78 427 66</u>	<u>78 927 66</u>
Fund equity:				
Fund balances:				
Reserved for cemetery	-	9 762 07	40 290 63	50 052 70
Unreserved:				
Undesignated	<u>216 325 22</u>	<u>54 309 90</u>	<u>-</u>	<u>270 635 12</u>
Total fund equity	<u>216 325 22</u>	<u>64 071 97</u>	<u>40 290 63</u>	<u>320 687 82</u>
Total Liabilities and Fund Equity	<u>216 325 22</u>	<u>64 571 97</u>	<u>118 718 29</u>	<u>399 615 48</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF ELK  
Sanilac County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

EXHIBIT B  
Page 1

	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General</u>	<u>Special</u>	<u>(Memorandum</u>
		<u>Revenue</u>	<u>Only)</u>
Revenues:			
Property taxes	27 661 10	64 627 42	92 288 52
State revenue sharing	71 016 00	5 174 26	76 190 26
Charges for services:			
Property tax administration	8 861 51	-	8 861 51
Cemetery lot sales	-	2 100 00	2 100 00
Fire runs and protection	15 840 00	-	15 840 00
Penal fines	-	17 723 92	17 723 92
Rents	425 00	-	425 00
Reimbursements	1 880 00	-	1 880 00
Interest	3 971 27	320 61	4 291 88
Miscellaneous	<u>3 461 59</u>	<u>3 262 50</u>	<u>6 724 09</u>
Total revenues	<u>133 116 47</u>	<u>93 208 71</u>	<u>226 325 18</u>
Expenditures:			
Legislative:			
Township Board	11 177 17	-	11 177 17
General government:			
Supervisor	2 745 72	-	2 745 72
Elections	166 00	-	166 00
Assessor	10 000 00	-	10 000 00
Clerk	9 115 89	-	9 115 89
Board of Review	2 654 21	-	2 654 21
Treasurer	9 335 55	-	9 335 55
Building and grounds	8 151 02	-	8 151 02
Cemetery	-	6 779 59	6 779 59
Public safety:			
Fire protection	32 069 84	-	32 069 84
Zoning	630 00	-	630 00
Public works:			
Highways and streets	18 268 23	46 023 31	64 291 54
Drains at large	12 839 12	-	12 839 12
Culture and recreation:			
Library	987 89	45 181 71	46 169 60

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF ELK  
Sanilac County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

EXHIBIT B  
Page 2

	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Expenditures: (continued)			
Other:			
Insurance	7 304 00	-	7 304 00
Capital outlay	9 983 53	-	9 983 53
Total expenditures	<u>135 428 17</u>	<u>97 984 61</u>	<u>233 412 78</u>
Excess (deficiency) of revenues over expenditures	<u>(2 311 70)</u>	<u>(4 775 90)</u>	<u>(7 087 60)</u>
Other financing sources (uses):			
Operating transfers in	-	6 572 50	6 572 50
Operating transfers out	<u>(5 290 00)</u>	<u>-</u>	<u>(5 290 00)</u>
Total other financing sources (uses)	<u>(5 290 00)</u>	<u>6 572 50</u>	<u>1 282 50</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(7 601 70)</u>	<u>1 796 60</u>	<u>(5 805 10)</u>
Fund balances, April 1	<u>223 926 92</u>	<u>62 275 37</u>	<u>286 202 29</u>
Fund Balances, March 31	<u>216 325 22</u>	<u>64 071 97</u>	<u>280 397 19</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF ELK  
Sanilac County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –  
GENERAL AND SPECIAL REVENUE FUNDS

Year Ended March 31, 2004

EXHIBIT C  
Page 1

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
Property taxes	26 448 24	27 661 10	1 212 86
State revenue sharing	65 000 00	71 016 00	6 016 00
Charges for services:			
Property tax administration	9 178 17	8 861 51	(316 66)
Cemetery lot sales	-	-	-
Fire runs and protection	9 700 00	15 840 00	6 140 00
Penal fines	-	-	-
Rents	150 00	425 00	275 00
Reimbursements	-	1 880 00	1 880 00
Interest	1 091 62	3 971 27	2 879 65
Miscellaneous	<u>1 962 00</u>	<u>3 461 59</u>	<u>1 499 59</u>
Total revenues	<u>113 530 03</u>	<u>133 116 47</u>	<u>19 586 44</u>
Expenditures:			
Legislative:			
Township Board	14 485 92	11 177 17	(3 308 75)
General government:			
Supervisor	2 965 38	2 745 72	(219 66)
Elections	2 694 00	166 00	(2 528 00)
Assessor	10 000 00	10 000 00	-
Clerk	9 115 89	9 115 89	-
Board of Review	3 006 00	2 654 21	(351 79)
Treasurer	9 335 55	9 335 55	-
Building and grounds	10 834 87	8 151 02	(2 683 85)
Cemetery	-	-	-
Public safety:			
Fire protection	32 078 37	32 069 84	(8 53)
Zoning	1 100 00	630 00	(470 00)
Public works:			
Highways and streets	40 000 00	18 268 23	(21 731 77)
Drains at large	15 000 00	12 839 12	(2 160 88)
Culture and recreation:			
Library	3 634 13	987 89	(2 646 24)

The accompanying notes are an integral part of these financial statements.



<u>Special Revenue Funds</u>		
<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
61 636 98	64 627 42	2 990 44
1 850 00	5 174 26	3 324 26
-	-	-
200 00	2 100 00	1 900 00
-	-	-
18 000 00	17 723 92	(276 08)
-	-	-
-	-	-
650 00	320 61	(329 39)
<u>600 00</u>	<u>3 262 50</u>	<u>2 662 50</u>
<u>82 936 98</u>	<u>93 208 71</u>	<u>10 271 73</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
12 280 26	6 779 59	(5 500 67)
-	-	-
-	-	-
46 349 70	46 023 31	(326 39)
-	-	-
48 345 00	45 181 71	(3 163 29)

TOWNSHIP OF ELK  
Sanilac County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –  
GENERAL AND SPECIAL REVENUE FUNDS

Year Ended March 31, 2004

EXHIBIT C  
Page 2

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Expenditures: (continued)			
Other:			
Insurance	7 500 00	7 304 00	(196 00)
Contingency	20 164 39	-	(20 164 39)
Capital outlay	<u>12 975 00</u>	<u>9 983 53</u>	<u>(2 991 47)</u>
Total expenditures	<u>194 889 50</u>	<u>135 428 17</u>	<u>(59 461 33)</u>
Excess (deficiency) of revenues over expenditures	<u>(81 359 47)</u>	<u>(2 311 70)</u>	<u>79 047 77</u>
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	<u>(5 290 00)</u>	<u>(5 290 00)</u>	<u>-</u>
Total other financing sources (uses)	<u>(5 290 00)</u>	<u>(5 290 00)</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(86 649 47)	(7 601 70)	79 047 77
Fund balances, April 1	<u>187 035 10</u>	<u>223 926 92</u>	<u>36 891 82</u>
Fund Balances, March 31	<u>100 385 63</u>	<u>216 325 22</u>	<u>115 939 59</u>

The accompanying notes are an integral part of these financial statements.

<u>Special Revenue Funds</u>		
<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
-	-	-
-	-	-
-	-	-
<u>106 974 96</u>	<u>97 984 61</u>	<u>(8 990 35)</u>
<u>(24 037 98)</u>	<u>(4 775 90)</u>	<u>19 262 08</u>
5 000 00	6 572 50	1 572 50
-	-	-
<u>5 000 00</u>	<u>6 572 50</u>	<u>1 572 50</u>
(19 037 98)	1 796 60	20 834 58
<u>19 037 98</u>	<u>62 275 37</u>	<u>43 237 39</u>
<u>-</u>	<u>64 071 97</u>	<u>64 071 97</u>

TOWNSHIP OF ELK  
Sanilac County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND BALANCE - CEMETERY PERPETUAL CARE FUND EXHIBIT D  
Year Ended March 31, 2004

Revenues:	
Interest earnings	<u>3 374 18</u>
Total revenues	<u>3 374 18</u>
Expenses	<u>-</u>
Excess of revenues over expenses	<u>3 374 18</u>
Other financing sources (uses):	
Operating transfers to Cemetery Operation Fund	<u>(1 282 50)</u>
Total other financing sources (uses)	<u>(1 282 50)</u>
Excess of revenues over expenses and other uses	2 091 68
Fund balance, April 1	<u>38 198 95</u>
Fund Balance, March 31	<u><u>40 290 63</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF ELK  
Sanilac County, Michigan

COMBINED STATEMENT OF CASH FLOWS –  
CEMETERY PERPETUAL CARE FUND  
Year Ended March 31, 2004

EXHIBIT E

Cash flows from operating activities:	
Cash received from customers	-
Net cash provided (used) for operating activities	-
Cash flows from noncapital financing activities:	
Transfers to other funds	(1 282 50)
Net cash provided (used) for noncapital financing activities	(1 282 50)
Cash flows from investing activities:	
Interest income	3 374 18
Net cash provided (used) for investing activities	3 374 18
Net increase (decrease) in cash and cash equivalents	2 091 68
Cash and cash equivalents, April 1	38 198 95
Cash and Cash Equivalents, March 31	40 290 63
Reconciliation of operating income to net cash provided (used) for operating activities:	
Operating income (loss)	-
Net Cash Provided (Used) for Operating Activities	-

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF ELK  
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Elk, Sanilac County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Township contain all the Township funds and account groups that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Elk. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

Governmental Fund

General Fund

This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Funds

Fiduciary funds are used to account for assets held in trust or as an agent for others.

TOWNSHIP OF ELK  
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present revenues and other financing sources and, expenditures and other financial uses in net current assets.

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual which is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due.

Revenues from local sources consist primarily of property taxes. Property taxes and revenues received from the State are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Property Taxes

Property taxes are accrued in the year in which they are levied. The tax levy is recorded as deferred revenue until the subsequent year when it becomes available for use.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the County delinquent tax rolls. The Township 2003 tax roll millage rate was 2.3486 mills and the taxable value was \$32,251,927.00.

Fixed Assets

Purchases of general fixed assets for all funds are recorded as expenditures in the respective funds at the time of purchase. The Township has not maintained a record of its general fixed assets as required by generally accepted accounting principles.

TOWNSHIP OF ELK  
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Investments

Investments are stated at market.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.



TOWNSHIP OF ELK  
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Postemployment Benefits

The Township provides no postemployment benefits to past employees.

Note 2 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated three banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

TOWNSHIP OF ELK  
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 2 – Deposits and Investments (continued)

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>273 868 70</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	201 902 07
Uninsured and Uncollateralized	<u>86 853 78</u>
Total Deposits	<u>288 755 85</u>

The Township's investments are categorized below to give an indication of the level of risk assumed by the Township. Risk category 1 includes those investments that meet any one of the following criteria: insured, registered, or held by the Township or its agent. Risk categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Township's name. Category 3 includes investments held by the counterparty or the counterparty's trust department (or agent) but not in the Township's name.

The GASB Statement No. 3 risk disclosures for the Township's investments are categorized as follows:

	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>
<u>Investment Type</u>				
Risk-Categorized	-	-	-	-
Total Risk-Categorized Investments	<u>-</u>	<u>-</u>	<u>-</u>	-

TOWNSHIP OF ELK  
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 2 – Deposits and Investments (continued)

	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>
Nonrisk-Categorized: Financial Institution Pooled Funds				<u>40 290 63</u>
Total Investments				<u>40 290 63</u>

The financial institution pooled funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.

Note 3 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	34 387 32	Current Tax Collection	78 427 66
Road	<u>44 040 34</u>		
Total	<u>78 427 66</u>	Total	<u>78 427 66</u>

Note 4 – Deferred Compensation Plan

The Township of Elk offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plan was held in trust, as described in IRC Section 457 (g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of the employer for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB statement No. 32, plan balances and activities are not reflected in the Township of Elk's financial statements.

TOWNSHIP OF ELK  
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 5 – Pension Plan

The Township does not have a pension plan.

Note 6 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts, and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 7 – Transfers In and Transfers Out

For the fiscal year ended, March 31, 2004, the Township made the following interfund transfers:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
Cemetery operation	1 282 50	Cemetery Perpetual	
Library	5 290 00	Care	1 282 50
		General	5 290 00
Total	<u>6 572 50</u>	Total	<u>6 572 50</u>

Note 8 – Building Permits

The Township of Elk does not issue building permits. Building permits are issued by the County of Sanilac.

Note 9 – Total Columns on Combined Statements--Overview

The total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

TOWNSHIP OF ELK  
Sanilac County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year Ended March 31, 2004

EXHIBIT F  
Page 1

Township Board:	
Salaries	2 635 92
Benefits	352 18
Office supplies	1 322 07
Professional services	4 086 35
Telephone	616 45
Printing and publishing	2 164 20
	<u>11 177 17</u>
Supervisor:	
Salary	2 745 72
Elections:	
Miscellaneous	166 00
Assessor:	
Salary	10 000 00
Clerk:	
Salary	8 786 40
Deputy	329 49
	<u>9 115 89</u>
Board of Review:	
Salaries	448 80
Printing and publishing	2 205 41
	<u>2 654 21</u>
Treasurer:	
Salary	8 786 40
Deputy	549 15
	<u>9 335 55</u>
Building and grounds:	
Utilities	2 334 16
Maintenance	5 619 62
Miscellaneous	197 24
	<u>8 151 02</u>

TOWNSHIP OF ELK  
Sanilac County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year Ended March 31, 2004

EXHIBIT F  
Page 2

Fire protection:

Salaries	11 078 00
Gas and oil	678 43
Repairs and maintenance	4 663 05
Telephone	240 00
Insurance	10 610 00
Utilities	1 224 57
Training	1 470 20
Miscellaneous	2 105 59
	<u>32 069 84</u>

Zoning:

Salaries	<u>630 00</u>
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Highways and streets	<u>18 268 23</u>
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Drains at large	<u>12 839 12</u>
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Library	<u>987 89</u>
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Insurance	<u>7 304 00</u>
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Capital outlay	<u>9 983 53</u>
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Total Expenditures	<u>135 428 17</u>
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TOWNSHIP OF ELK  
Sanilac County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS    EXHIBIT G  
March 31, 2004

	<u>Road</u>	<u>Library</u>	<u>Cemetery Operation</u>	<u>Total</u>
<u>Assets</u>				
Cash in bank	340 80	5 861 80	10 262 07	16 464 67
Petty cash	-	60 00	-	60 00
Taxes receivable	4 006 96	-	-	4 006 96
Due from other funds	<u>44 040 34</u>	<u>-</u>	<u>-</u>	<u>44 040 34</u>
Total Assets	<u>48 388 10</u>	<u>5 921 80</u>	<u>10 262 07</u>	<u>64 571 97</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Deposits payable	<u>-</u>	<u>-</u>	<u>500 00</u>	<u>500 00</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>500 00</u>	<u>500 00</u>
Fund balances:				
Unreserved:				
Undesignated	<u>48 388 10</u>	<u>5 921 80</u>	<u>9 762 07</u>	<u>64 071 97</u>
Total fund balances	<u>48 388 10</u>	<u>5 921 80</u>	<u>9 762 07</u>	<u>64 071 97</u>
Total Liabilities and Fund Balances	<u>48 388 10</u>	<u>5 921 80</u>	<u>10 262 07</u>	<u>64 571 97</u>

TOWNSHIP OF ELK  
Sanilac County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES -- ALL SPECIAL REVENUE FUNDS

Year Ended March 31, 2004

EXHIBIT H

Page 1

	<u>Road</u>	<u>Library</u>	<u>Cemetery Operation</u>	<u>Total</u>
Revenues:				
Property taxes	48 047 30	16 580 12	-	64 627 42
State revenue sharing	-	5 174 26	-	5 174 26
Cemetery lot sales	-	-	2 100 00	2 100 00
Penal fines	-	17 723 92	-	17 723 92
Interest	106 76	48 49	165 36	320 61
Miscellaneous	-	1 178 50	2 084 00	3 262 50
Total revenues	<u>48 154 06</u>	<u>40 705 29</u>	<u>4 349 36</u>	<u>93 208 71</u>
Expenditures:				
General government:				
Cemetery:				
Contracted services	-	-	3 523 00	3 523 00
Utilities	-	-	300 00	300 00
Supplies	-	-	132 59	132 59
Miscellaneous	-	-	2 824 00	2 824 00
Public works:				
Highways and streets:				
Repairs and maintenance	46 023 31	-	-	46 023 31
Culture and recreation:				
Library:				
Salaries and benefits	-	28 381 94	-	28 381 94
Books	-	6 978 05	-	6 978 05
Periodicals and videos	-	1 403 71	-	1 403 71
Utilities	-	969 24	-	969 24
Telephone	-	1 259 09	-	1 259 09
Dues and fees	-	2 039 87	-	2 039 87
Library supplies	-	736 59	-	736 59
Postage	-	90 96	-	90 96
Insurance	-	2 242 00	-	2 242 00
Miscellaneous	-	1 080 26	-	1 080 26
Total expenditures	<u>46 023 31</u>	<u>45 181 71</u>	<u>6 779 59</u>	<u>97 984 61</u>
Excess (deficiency) of revenues over expenditures	<u>2 130 75</u>	<u>(4 476 42)</u>	<u>(2 430 23)</u>	<u>(4 775 90)</u>



TOWNSHIP OF ELK  
Sanilac County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS

Year Ended March 31, 2004

EXHIBIT H

Page 2

	<u>Road</u>	<u>Library</u>	<u>Cemetery Operation</u>	<u>Total</u>
Other financing sources:				
Operating transfers in	<u>-</u>	<u>5 290 00</u>	<u>1 282 50</u>	<u>6 572 50</u>
Excess (deficiency) of revenues and other sources over expenditures	2 130 75	813 58	(1 147 73)	1 796 60
Fund balances, April 1	<u>46 257 35</u>	<u>5 108 22</u>	<u>10 909 80</u>	<u>62 275 37</u>
Fund Balances, March 31	<u><u>48 388 10</u></u>	<u><u>5 921 80</u></u>	<u><u>9 762 07</u></u>	<u><u>64 071 97</u></u>

TOWNSHIP OF ELK  
Sanilac County, Michigan

COMBINING BALANCE SHEET – ALL TRUST AND AGENCY FUNDS    EXHIBIT I  
March 31, 2004

	<u>Current Tax Collection Fund</u>	<u>Cemetery Perpetual Care Fund</u>	<u>Total</u>
<u>Assets</u>			
Cash in bank	78 427 66	-	78 427 66
Investments	<u>-</u>	<u>40 290 63</u>	<u>40 290 63</u>
Total Assets	<u>78 427 66</u>	<u>40 290 63</u>	<u>118 718 29</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Due to other funds	<u>78 427 66</u>	<u>-</u>	<u>78 427 66</u>
Fund balances:			
Reserved for cemetery perpetual care	<u>-</u>	<u>40 290 63</u>	<u>40 290 63</u>
Total Liabilities and Fund Balances	<u>78 427 66</u>	<u>40 290 63</u>	<u>118 718 29</u>

TOWNSHIP OF ELK  
Sanilac County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Year Ended March 31, 2004

EXHIBIT J

	<u>Balance</u> <u>4/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/04</u>
<u>Assets</u>				
Cash in Bank	<u>75 659 22</u>	<u>839 852 67</u>	<u>837 084 23</u>	<u>78 427 66</u>
<u>Liabilities</u>				
Due to other funds	75 659 22	85 481 03	82 712 59	78 427 66
Due to other taxing units	<u>-</u>	<u>754 371 64</u>	<u>754 371 64</u>	<u>-</u>
Total Liabilities	<u>75 659 22</u>	<u>839 852 67</u>	<u>837 084 23</u>	<u>78 427 66</u>

# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA  
KENNETH P. KUSTERER, CPA

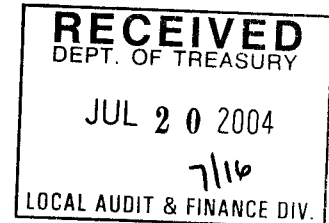
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## **AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS**

June 30, 2004

To the Township Board  
Township of Elk  
Sanilac County, Michigan



We have audited the financial statements of the Township of Elk, for the year ended March 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES**

We conducted our audit of the financial statements of the Township of Elk in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

To the Township Board  
Township of Elk  
Sanilac County, Michigan

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

To the Township Board  
Township of Elk  
Sanilac County, Michigan

### **GASB 34 IMPLEMENTATION**

The Governmental Accounting Standards Board issued a new reporting model for governmental units which is to be implemented over the next few years. The implementation date of this pronouncement for the Township of Elk will begin with the year ended March 31, 2004, and will need to be implemented fully by March 31, 2005. The daily operations and recording transactions should not change significantly, however, the Township will be required to maintain additional records for the year end adjustments to the final presentation format.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2004.

#### **SUMMARY**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants